

霍華德政府的澳洲貿易政策

李察·利佛爾

澳洲福臨德斯大學副教授

中文摘要

近年來亞太經合會（APEC）陷入困境已是公開的秘密。此項秘密在一九九七年溫哥華 APEC 高峰會上開始流傳。儘管澳洲霍華德(Howard)政府一再宣稱 APEC 活動有助外交推動，但是不少人相信澳洲政府已將 APEC 的傳統貿易焦點自政府的議程中拿下，如過去一年坎培拉的外交與貿易部長發表過多篇有關區域政策的演講，但卻沒有一篇是以 APEC 為主題。貿易焦點已轉移至以推動雙邊經貿為主，尤其是東協-澳紐經貿自由區（CER）。本文主要論點有二，其一是作者分析霍華德政府上台十八個月期間全力發展與美國的關係，明顯地背離 APEC 來證明霍華德政府從 APEC 策略轉向主要是導因於內在因素而非外在因素。他指出一九九六年霍華德政府將復活與美國的雙邊關係列為外交與貿易政策的首要課題以彌補工黨十三年執政的「忽略」。而此一政策導致澳洲政府對 APEC 的態度大為冷淡，甚至在金融危機發生之前即已顯現。

早在一九九五年澳洲聯邦大選前一年聯合政府即試圖顯示其與當時執政的工黨有所不同，至少表現在兩方面。其一，他們認

為工黨執政十三年以來大力促銷地「中型國家 (middle power)」的定位是種自我設限的概念。尤其是在艾文斯 (Gareth Evans) 擔任外長期間，當時影子外長唐納 (Alexander Downer) 一再宣稱澳洲實力「遠超過中型國家」。其二，聯合政府的幾位影子部長曾多次指出工黨過分重視多邊主義，他們若當選將會尋求透過重新強調雙邊策略來恢復平衡。

霍克(Hawke)的工黨政府在 APEC 成立過程中扮演領銜的角色，此舉主要是因為擔心美國的貿易政策的改變會導致跨太平洋經濟萎縮。一九八八年在經過了四年試圖以美元貶值來減少與日本逆差無效之後，雷根 (Reagan) 政府祭出超級三 0 一貿易法案，該法案要求美國貿易代表每年列出不公平貿易的國家的名單，這些國家將在美國威脅對其輸美產品進行懲罰性經濟制裁的陰影下與美國協商解決紛爭。美國此項貿易政策的轉變使霍克政府面臨雙重危險。最遭的情況是澳美兩國發生貿易戰。其次是澳洲的出口利益可能會遭到第三者的傷害（如日本對美國壓力屈服）。在戰術與戰略雙重層面上，霍克政府視 APEC 為以多邊機制來解決區域貿易緊張的建立信心措施。其後的基廷(Keating)政府的 APEC 兩大策略是將 APEC 會議的層次從部長級提昇到由政府領導人參加的高峰會以及促使 APEC 走向以結果為導向，被認為是使美國願意長期介入 APEC 事務的必要措施。因此，作者的結論是霍華德政府的雙邊路線其實與基廷政府是殊途同歸。他指出基廷在一九九二年與一九九三年期間力圖引導 APEC 邁向區域貿易自由化與三年後的霍華德有同樣的目標，即使美國介入

APEC。但是基廷的問題是雖然他不斷地強調遠見 (vision) 的重要性，但卻從未給予實現遠見的形式 (modalities) 應有的注意力。同樣地，霍華德政府著重雙邊關係的貿易策略的根本缺點亦在於此。結果，澳洲人再度發現到他們早就該知道的：澳洲經濟在經貿上的特殊性與脆弱性，而在此半世紀皆以雙邊為主的政治結構裡很難營造任何共同體的意識。

Australian Trade Policy under the Howard Government: Implications for APEC¹

Richard Leaver, Associate Professor

School of Political and International Studies,
Flinders University of South Australia

It is an open secret that APEC has, in recent years, fallen upon hard times. That secret began to circulate at the Vancouver APEC summit held four months into the Asian Financial Crisis when President Clinton casually opined that the whole event was really nothing more than 'a few little glitches in the road'.² Although his adviser Sandy Berger later tried to hose down that evaluation - 'glitch', he explained, was 'an undefined term' that expressed the president's desire not to overstate the severity of the situation or to imply that it might be insurmountable³ - the comment nonetheless sat uneasily in the context of both American non-participation in the Thai bail-out concluded the previous month, and killing off a month before that of Japan's Asian Monetary Fund proposal at the IMF - World Bank in

¹ This paper is an incomplete first draft. Please do not cite without permission. Comments, however, are most welcome: ptrll@sigma.sss.flinders.edu.au.

² This remark was further amplified by virtue of being uttered at the Vancouver APEC Summit; see Press Conference by the President and Prime Minister Chretien of Canada, Pan Pacific Hotel, Vancouver, British Columbia, United States Information Agency, 23rd November 1997.

³ See Transcript, Berger, Tarullo, Steinberg, Summers Briefing, 'Clinton, APEC leaders committed to Manila Framework', United States Information Agency, file ID: 97112501.EEA, 25th November 1997.

Hong Kong. Since then, the direction in which APEC's road might be leading has become more problematical. While trade barriers around the region did not escalate during the subsequent crisis, and this accomplishment of sorts enabled supporters to claim that the organisation remained on course, APEC was also forced to wear the accusation levelled at many other regional and multilateral forums - of fiddling while Rome burned. More particularly, the political bumps in the APEC road became more prominent: as economic issues slipped quietly into a holding pattern, shouting over 'reformasi' took over at Kuala Lumpur, while the dogs of war yapped around the perimeter of the Auckland summit.⁴

In spite of all this, Australia's Howard government has nonetheless claimed private diplomatic rewards out of this general APEC movement. Questions about APEC's traditional trade focus have shifted down the agenda of government concerns; so, for instance, despite numerous speeches by Canberra's foreign and trade ministers about regional policy in the last twelve months, not one of them has primarily been about APEC, and the forum barely rates serious mention in any of them. Trade energies shifted elsewhere - to bilateral initiatives in general, and the ASEAN-CER integration in particular. Furthermore, while this diversion was occurring, recent APEC summits provided the Howard government with a forum for alleged political gains. When Downer struck up a personalised human rights diplomacy with Mahathir rather than follow Gore's megaphone style, he was building on Howard's 1996 repairs to bilateral relations with Malaysia, and the Kuala Lumpur summit therefore gave rise to a

⁴ According to the autobiography of Feisal Tanjung, thoughts about a declaration of war in defence of Indonesia's sovereignty over East Timor floated around inside the Habibie cabinet after the UN issued a 48-hour deadline for Jakarta to stop the violence: see 'Indonesia came close to declaring war on Australia over Timor: report', Agence France Presse, 30 October 1999. Habibie would go on to unilaterally abrogate its Agreement to Maintain Security with Australia.

certain bragging about 'the Australian way' in diplomacy.⁵ Even more importantly, Howard's successful Auckland effort to put flesh on the skeletal idea of peace enforcement in East Timor is now regarded by approving domestic audiences as a moment of considerable moral vigour that draws a line under a tarnished quarter-century record of *realpolitik* in dealings with Indonesia. From Canberra, APEC was seen to have a new, more political, purpose as a show-ground for Australian bilateral diplomacy - 'a conduit for high level ... diplomacy', to use the prime minister's own words.⁶

For Australia - even more than for other regional countries - much about APEC has changed in a short period of time, and it remains to be seen whether 'the road' that Clinton took to be relatively unproblematic only three years ago will ever appear so clear or one-dimensional in the future. If there is any significant long-term diversion as opposed to a short-term detour, than many will be inclined to explain it in terms of the intrusion of unpredictable exogenous factors (of which the Asian Financial Crisis and its ongoing political fall-out is by far the most important). My argument here, however, takes two different tacks. In the first instance, I depict the Howard government's detour from the straight and narrow of received APEC strategy as having endogenous rather than exogenous causes; it was, primarily, a product of what the Howard government chose as its over-riding policy imperative in foreign and trade policy

⁵ As Howard told a press conference after the summit, 'We do things a little differently from others because we have different interests ... that is the Australian way': quoted in Geoffrey Barker and Peter Hartcher, 'The Malaysian ruckus: fence-sitter v cowboy', *Australian Financial Review*, 26 November 1998. The theme enjoyed some after-life beyond Kuala Lumpur: see, for example, John Howard, 'Time to build on bold ideas', *The Australian*, 8 May 1999, where 'the Australian way' was applied to the (now largely discredited) Bali summit with Habibie over East Timor.

⁶ John Howard, cited by Brendan Pearson in *Australian Financial Review*, 14 September 1999.

in 1996 - namely, the need to 'reinvigorate' the bilateral relationship with the United States, allegedly to make up for the 'relative neglect' suffered during thirteen years of Labor rule.⁷ For the Howard government, therefore, the processes that would produce a considerable disengagement from APEC were in place well before the Asian Financial Crisis came along. A major portion of the following analysis is therefore concentrated on Howard's critical first eighteen months in office when this convergence with Washington was effected, highlighting the alienation from APEC that came almost as an unintended (but logically necessary) by-product.

The second tack is less partisan in the party-political sense, but will probably be more hotly debated in company such as this. I conclude by arguing that the bilateral route walked by the Howard government followed a trail blazed if not yet walked by the Keating government. From both the Liberal and Labor sides of the great divide, an established part of Australian political mythology would now have us believe that Labor in general, and Keating in particular, pushed Australian foreign and trade policy strongly towards East Asia. On the contrary, I argue that the critical reconfigurations of APEC towards visions for regional trade liberalisation that Keating championed in 1992 and 1993 shared the same aim that Howard had three years later - namely, to lock in American involvement. Keating's problem was that 'the vision thing' was never matched by equivalent attention to the modalities for achieving the vision. At the end of the day, that may also be regarded as the fundamental flaw in the bilaterally focussed trade strategies of the Howard government.

The Howard design: strategy first ...

⁷ Whether the American alliance had suffered relative neglect is a matter too big to take on here. For one comprehensive recent study that refutes it, see Matthew Barton, *The United States Alliance Under Labor, 1983-1996: Withered on the Vine?*, unpublished PhD thesis, School of Political and International Studies, Flinders University, 2000.

Throughout 1995, as the issue of the timing of Australia's next federal election loomed ever larger, it also became more clear that a Coalition government would seek to distinguish itself from the mould of Labor diplomacy in at least two ways. Its major spokesmen articulated, firstly, a certain discontent with what they saw as the self-imposed limitations of the notion of 'middle power' that had animated a great deal of Australian foreign policy through thirteen years of Labor governments, most especially under Gareth Evans as foreign minister; Australia was, so shadow minister Alexander Downer repeatedly asserted, 'much more than a middle power'.⁸ Secondly, and across the full range of strategic and economic issue areas, Coalition shadow ministers argued that Labor had invested too heavily in multilateral modalities, and that they would restore a greater sense of overall balance by re-emphasising a bilateral approach. In particular, Australia's 'traditional security partners' - a phrase that, for reasons of queen and country, included Britain as well as the United States - had, claimed Howard, been relatively neglected, and the Coalition would seek to reinvigorate those relationships.⁹

For a number of reasons, the significance of this preference for bilateralism in foreign policy tended to be discounted at that time. Very little of what recent Labor governments had implemented as foreign policy had been explicitly attacked by the Coalition at the time it was done,¹⁰ while the link between bilateralism and traditional security arrangements appeared to be little more than routine

⁸ Alexander Downer, 'Australia: Much More than a Middle Power', speech to the Young Liberals Convention, Canberra, 8 January 1996.

⁹ See John Howard, 'Australia's Defence Policy: Lessons from the Past, Principles for the Future', address to the Victorian Branch of the Australian Defence Association, Melbourne, 5 October 1995.

¹⁰ One of the few notable exceptions was the vigorous Coalition attack on Keating's decision to establish the Canberra Commission for the Elimination of Nuclear Weapons in October 1995.

Coalition rhetoric. Since no one apart from Paul Keating believed that any foreign policy platform could carry the forthcoming election, any differences did not appear politically salient. They portended, perhaps, only marginal adjustments to a larger bipartisan foreign policy agenda that, as Albinski argued, had come into existence more than a decade earlier.¹¹

But within six months of their comprehensive victory at the March 1996 poll, the new Coalition government had in fact proceeded much further down this bilateral track than most had expected. The early pace was set in the strategic domain by the foreign and defence ministers, who together subjected the word 'multilateralism' to a kind of internal exile. In its place, they organised the most high-powered American delegation ever to attend a Canberra-based round of AUSMIN talks, and elicited from that August 1996 meeting a new agreement over (amongst other things) joint military exercises on Australian soil and a ten year extension on the lease of the joint facility at Pine Gap. All that caused Howard to rough out what was, for him, an all-too-rare (and, by his own arguments, potentially dangerous) 'big picture' - namely, that any tensions between Australia's history and its geography had now been reconciled, and there was no longer any necessity to choose one over the other.¹² When President Clinton - being kind to his hosts, no doubt - picked up this very theme in his November 1996 speech to the Australian parliament and used it to describe America's commitment to the Asia-Pacific, that particular reconciliation began to firm up quite considerably. This hardening process was most obviously evident in the first-ever White Paper on Foreign Affairs and Trade policy prepared through 1996 and 1997, a document that bore the heavy editorial marks of the prime minister. Here it was asserted that 'closer engagement with Asia [did

¹¹ Henry Albinski, 'Bipartisanship and Foreign Policy', *Asian Pacific Review*, 2, 1986.

¹² For commentary on the issue, see Greg Sheridan, 'Howard Bolsters US links', *Weekend Australian*, 27-8 July 1996.

not] require reinventing Australian's identity or abandoning values and traditions which define Australian society. Australia draws unique strength from the interaction of its history and geography'.¹³ By this stage, a disjunctive feature that had, in earlier times, been regarded as a genetic flaw whose management required eternal diplomatic vigilance had been elevated to the status of a positive virtue. And in this virtuous format, there is now an unbroken line of strategic policy inheritance through to and beyond the postures which informed Australian actions in the heat of the East Timor crisis.¹⁴

or was it second?

While a bilateral orientation in strategic policy was nothing new for Coalition governments, the vigour and speed with which it was pursued was nonetheless quite remarkable. But the shift towards bilateralism was by no means confined to the strategic domain, and arguably did not even emerge there. Indeed, it is notable that the relevance of bilateral strategies to the trade domain had been a recurrent, if episodic, feature of Coalition commentaries on the trade policies of the Keating government since at least 1992 (although very few journalists or analysts did note it, let alone accord it much significance). But at a time when APEC had yet to adopt any firm

¹³ *Commonwealth of Australia*, In the National Interest: Australia's Foreign and Trade Policy, Canberra, 1997, p. iv, *emphasis added*. The document can also be accessed over the Internet at <<http://www.dfat.gov.au/ini/wp.html>>.

¹⁴ So, for example, one of the recurrent themes running through Australian diplomacy during that crisis was Howard's claim that it provided the opportunity for the government to play 'its unique characteristics as a Western country in Asia ... with strong links to North America'; see Fred Brenchley, 'The Howard Defence Doctrine', *The Bulletin*, 28 September 1999, p. 23, and also Tony Walker, Peter Hartcher and Louise Dodson, 'Western grit and sights trained on region', *Australian Financial Review*, 6 April 2000.

objectives or timetables for liberalisation, and when the outcome from the delayed Uruguay Round still hung in the balance, the Coalition began to articulate a relatively uninhibited critique of Labor policy around the alternate peg of bilateral trade-enhancing strategies. They claimed that Labor had placed too many eggs in multilateral baskets that were yet to prove its worth, and that they would redress the balance. So the then shadow minister for foreign affairs and trade, Senator Hill, argued in 1992 that APEC had 'delivered little' and ought to be 'critically examined',¹⁵ while the Fightback! platform prepared for the Coalition's 1993 election campaign took shape alongside opposition leader John Hewson's personalised efforts to sell the virtues of a closer relationship with the NAFTA area, and a general purpose promise of 'enormous vigour' along the bilateral and regional trade fronts.¹⁶

If this was taken seriously at all, it was probably regarded as a free kick, since bilateralism had perhaps been the only trade subject on which Labor governments had been relatively quiet. But the theme nonetheless continued to float to the surface even after APEC had adopted its Bogor timetables and the completed Uruguay Round appeared to deliver at least some of the hoped-for benefits. Indeed, the 'fourth track' of bilateral relations received the lion's share of attention in the Coalition's formal trade policy platform prepared for the 1996 election where, amongst other things, it was specifically designated as the appropriate route for dealing with Australia's rapidly escalating trade deficit with the United States.¹⁷ There was a general sense of incredulity amongst professional audiences about the

¹⁵ Stephen Mills, 'Nations Queue to Join APEC', *Australian Financial Review*, 3 September 1992, p. 3.

¹⁶ See J. Power and Robert Garran, 'Keating Labels Opposition's NAFTA Plan "Naïve"', *Australian Financial Review*, 7 September 1992, p. 5.

¹⁷ Meeting the Challenges: Liberal and National Party Trade Strategies for the Future, 1996 <<http://www.liberal.org.au/POLICY/TRADE/tradent.html>>, accessed August 1996.

relevance of this theme, most especially for dealing with the Americans, and perhaps a belief that they really did not mean what they were (and for some time had been) saying.¹⁸ Nonetheless, by the time they hit office, there was a substantial, if episodic, momentum of thinking and talking about a bilateral framework for trade policy that had built up during the Coalition's wilderness years.

Creeping Americanisms

Once in office, that medium term engagement with the theme of commercial bilateralism immediately began to be reflected in the trade policy of the new government. As National Party leader and trade minister, Tim Fischer almost immediately set about the task as he saw it - pushing Australian exports up and down the region. Such was his energy for the job that he quickly fell upon the stylistic affectation of 'aggression' to describe the management of his portfolio. For a brief moment in time, therefore, he gave rise to the couplet of 'aggressive bilateralism', a construction more commonly associated with the last decade of American policy under the guidance of the USTR. Although any intention to copy American policy was quickly

¹⁸ One of the more interesting examples of this sense of approving incredulity occurred at the press conference that followed Tim Fischer's release of the Coalition's 1996 trade policy platform (a policy that favoured bilateralism). Fischer was asked a sensible question about what bilateral weapons were available for Australia to use in its difficult dealings with the US, and was unable to identify any. According to Wallace, the event 'came as close to political farce as is possible without laughter breaking out', although subsequent press coverage 'was overwhelmingly favourable': see Christine Wallace, 'The Fischer king? Not likely', Australian Financial Review, 29 January 1996. The incident is featured in Maryanne Kelton, 'Irrelevance and Decline'? Bilateralism and Regionalism in Coalition Foreign Policy, BA (Hons) thesis, School of Political and International Studies, Flinders University, October 1997.

denied,¹⁹ his casual construction lived on in the parliamentary rhetoric of the Labor opposition. It was sustained by a string of further American intellectual imports that embellished the government's commitment to bilateralism, a commitment that was to be explained in a forthcoming White Paper on Foreign and Trade policy promised in their electoral manifesto.

By August 1996, a reasonable-sized team of bureaucrats and non-governmental advisers (largely drawn from business circles) was assembled for the production of that first ever White Paper, and substantial drafts were rumoured to be ready within six months, in time for expected delivery in the autumn session of parliament.²⁰ It would be, however, another six months before this slim document eventually saw the full light of day. The delay reflected the prime minister's desire to exercise a close editorial prerogative; this, after all, was to be a government policy for Foreign Affairs and Trade rather than a document from the minister or his department. Furthermore, both the minister and his department were at that time on a very short leash; their mutual mis-handling of the wind-back of the Development Import Finance Facility (DIFF) scheme in 1996²¹ meant that nothing of substance was allowed to issue forth from Downer's office without clearance from the Department of Prime Minister and Cabinet. When it did eventually appear, it made clear that the electoral commitment to bilateralism had been elevated to the status of the general purpose

¹⁹ For comments on this stance (and its later revision), see Michael Dwyer, 'Downer softens stance', Australian Financial Review, 5 July 1996.

²⁰ 'White paper to focus on foreign policy', Sydney Morning Herald, 5 August 1996.

²¹ On this early blunder, see Ravi Tomar, 'A DIFFerence of Opinion: Cancellation of the Development Import Finance Facility', Parliament of Australia, Department of the Parliamentary Library, Current Issues Brief, 20, 1995-6, <<http://www.aph.gov.au/library/pubs/cib/1995-96/96cib20.htm>>, and also Maryanne Kelton, 'The DIFF Debacle', The Flinders Journal Of History & Politics, 20, 1998.

building block for foreign and trade policies that would be 'practical' and 'realistic'. And the (unexplained) test of 'the national interest' - the phrase which furnished the title of the paper - was given greater rein.

If there was anything really novel in the White Paper, it was another American buzzword - globalisation. Although the term would soon go on to become the source of intense political debate and protest, it was at that time largely the property of academic studies of the post-Cold War era, and its impact on state policy was at that time judged by one American analyst to be a 'non-debate'.²² No doubt the framers of the White Paper took the low political profile of the term for granted, for along with an Asia-Pacific commercial orientation, globalisation was said to be one of only two general trends that would shape Australian foreign and trade policy during the next fifteen years, the time-frame on their work. But just to be sure, the White Paper interpreted this trend in the most minimal manner possible. The drift towards globalisation, it confidently asserted, was primarily a consequence of the increasingly global scale of private sector operations, aided and abetted by the well-known revolution in communications. It certainly did not imply any 'inevitable march towards global political interdependence', and although the powers of governments might be more circumscribed, nation-states were not said to be 'swept away' or 'displaced'; national sovereignty, indeed, remained 'cherished'. Defined in this narrow way, globalisation therefore posed two and only two policy challenges; to nationally-based regulatory structures that might diminish the efficiency of global markets, and to diplomats concerned to bed down globally-based rules and disciplines for international trade and investment.

²² See Alan Tonelson, 'Globalization: The Great American Non-Debate', *Current History*, November 1997 <<http://www.currenthistory.com/archivenov97/tonelson.html>>. Tonelson's main point was not that globalization was not happening, but rather that it had 'not been meaningfully incorporated into American politics or policymaking'.

States that responded positively to these challenges therefore could reap the lion's share of economic rewards, achieving large gains for negligible costs.

All of these aspects quickly became the focus of a public marketing offensive by the foreign minister, Alexander Downer. Through late 1997 and early 1998, he rarely missed an opportunity to display his new intellectual wares.²³ In speeches up and down the region, he took considerable delight in wielding his narrowly derived cost-benefit calculation against challengers from either the left or the right, warding off the purveyors of what he called 'globaphobia'.²⁴ This mocking term was itself another cheap American import; its origins lay in contemporaneous American debates about whether or not Congress should renew the president's authority to enter into 'fast track' trade negotiations.²⁵ The concept was transmitted through the

²³ For a selection of Downer's more important speeches on this theme, see 'Australia, Asia and Globalisation', speech to the Asia Society and AUSTCHAM, Hong Kong, 15th October 1997 <http://www.dfat.gov.au/pmb/speeches/fa_sp/austcham15october97.html>, and 'Harnessing Globalisation's Power - Australia in the International Economy', Annual Trade Lecture to the Melbourne Business School, Melbourne, 25th February 1998 <http://www.dfat.gov.au/pmb/speeches/fa_sp/melb24_feb_98.html>.

²⁴ See, in particular, his 'Globalisation or Globaphobia: Does Australia have a choice?', speech to the National Press Club, Canberra, 1st December 1997 <http://www.dfat.gov.au/pmb/speeches/fa_sp/pressclub1dec97.html>.

²⁵ In September 1997, in preparation for the first of Clinton's 'fast track' debates, the Brookings Institution convened a public seminar on 'Globaphobia: A Debate about Trade' where the lead speaker was US Trade Representative Charlene Barshefsky; see <<http://www.brook.edu/PA/EVENTS/9-23-97.HTM>>. The seminar later led to a substantial book on the subject; see Gary Burtless, Robert Z. Lawrence, Robert E. Litan and Robert J. Shapiro, *Globaphobia: Confronting Fears about Open Trade*, Brookings Institution Press, Washington DC, 1998.

international media²⁶ and quickly imported into Downer's rhetoric. Being catchy, the theme of exorcising globophobia soon permeated out into local newspaper chains, with op-ed columns and even editorials picking up on Downer's echoes.²⁷

Early in the new year, however, this new ministerial pastime came to an abrupt halt, primarily because the Asian Financial Crisis that was all the time unfolding around him revealed a dark side to what he had assumed as the bright and positive force of globalisation. To make matters worse, something went bang in the night on the sub-continent. India and Pakistan, long recognised as 'threshold' nuclear states, showed themselves to be on the wrong side of the brink. Very quickly, both of these issues would conspire to give even greater overall importance to narrowly defined strategic issues within Canberra's view of the region.

The APEC dimension

As all of this convergence upon American political rhetoric was going on, APEC sat somewhat precariously on a brink of its own. The 2010/2020 timetables for regional trade liberalisation negotiated at Bogor in 1994 had, at Osaka in the following year, given rise to the strategy of 'concerted unilateralism' as a means for achieving them. The centrepiece of this strategy was the Individual Action Plan (IAP), a document that each APEC member would prepare and table on an annual basis at future APEC summits. IAPs would detail, in a transparent way, the steps that APEC members had taken towards realising the Bogor timetables, so raising confidence in the feasibility of APEC's longer-term goal. The Howard government therefore

²⁶ See Reginald Dale, 'Prescribing Facts to Cure "Globophobia"', *International Herald Tribune*, 7 October 1997.

²⁷ See, for example, 'Avoid Global Claptrap', *Australian Financial Review*, 23 March 1998.

inherited the task of preparing Australia's first IAP for the forthcoming Subic Bay summit.

With Trade Minister Fischer 'aggressively busy' along the bilateral front, and apart from the appointment of an Ambassador to APEC, there was little evidence of new thinking about APEC issues from the new Howard government. Bureaucratic momentum therefore played the major role in carrying Australian policy forward. A draft IAP highlighting the 2.5 per cent across the board tariff reduction mechanism implemented in 1991 by the Hawke government was prepared for presentation at a meeting of Senior Officials at Cebu in May.²⁸ This draft was subsequently refined through a largely private process of consultation with relevant industries.²⁹ By the time Subic Bay came around, the IAP was complemented by a lengthy slate of additional proposals for accelerated regional liberalisation largely in energy and agriculture, sectors where Australia's competitive advantage was strong. But a week out from the summit, and in the midst of preparations for the Clinton visit, the prime minister highlighted a more malign linguistic Americanism - the principle of reciprocity - and applied it to the purpose of Australian trade diplomacy. Reciprocity, he indicated, might well guide Australia's future tariff reductions within the APEC context.³⁰

²⁸ All IAP submissions from APEC members can be accessed on the APEC Home Page at <<http://www1.apecsec.org.sg/iap/iap.html>>.

²⁹ For some insight into the process whereby the first IAP was prepared, see the evidence given to the Senate Estimates Committee by Mr. Tony Hely, Acting FAS in DFAT's Economic and Trade Development Division on 23 September 1996.

³⁰ On this, see Michael Dwyer, 'PM to Asia: We won't go it alone on tariff cuts', *Australian Financial Review*, 20 November 1996.

Howard's proposition immediately drew critics, some of whom argued that nothing would ultimately come of it,³¹ while others detected a journalistic beat-up. There had, after all, been many subtle hints of this shift in direction. Out of all the relevant ministers, only Downer had to this point been a consistent advocate of Canberra's open regionalism orthodoxy, but he was often out of the country or (as previously noted) on the nose with his seniors for other reasons. Fischer, on the other hand, had from day one repeatedly rejected any notion that the playing field of trade was level, although his re-grading of the turf usually drew him back to bilateral rather than regional modalities. And Howard, too, had been gradually departing from textbook-like expositions of the 'first best outcome', arguing that a balance between 'the pain of structural adjustment' and 'the gains from better access to export markets' had to be struck.³² But the running for revisionist views had been made by the Minister for Industry and Science, Mr John Moore, who consistently demanded linkage between Canberra's tariff cuts and progress in other APEC economies. He had gone into the election championing less attention to tariff reductions in exchange for more attention to micro-economic reform.³³ Although there was no necessary connection, let alone a trade-off, between the two, and although Moore usually appeared as a low-profile player, debate inside the coalition cabinet soon came to be structured in terms of those alternatives.

In retrospect, this casual linkage boded ill for APEC policy once the new government had seen draft IAPs at Cebu in May, for after that a palpable sense of disappointment swept through the ministry. Although forthcoming elections in America and Japan had

³¹ That is the thrust of the argument by Alan Oxley, 'The truth about APEC's trade timetable', *The Australian*, 21 November 1996.

³² See John Howard, speech to the APEC Energy Ministers' Meeting, Sydney, 28 August 1996.

³³ See Michael Dwyer and Ian Porter, 'Coalition sets sights on the business vote', *Australian Financial Review*, 7 February 1996.

always meant that this would be a bad time to push hard, Downer had come away publicly criticising the American offer tabled there, and had subsequently taken up the issue with National Security Adviser Anthony Lake in Washington the following month. Although he then claimed to be assuaged about American offers, the standing of Washington's IAP was but one issue amongst many on his agenda,³⁴ and it risked being submerged. In any case, American trade negotiators were inclined to argue that their economy, being more open than most, did not require sweeping gestures towards further liberalisation.³⁵ The obverse of their argument was that others did - and American pressure to somehow write the Bogor timetables in stone was evident both before and after Cebu. So, too, was Australian pressure on the Hashimoto government to liberalise arrangements governing beef and rice imports, an issue taken up by Howard during his historic September visit to Tokyo.³⁶

Just two days out from the beginning of the Subic Bay summit, the local press had already begun talking about Canberra's movement into 'damage control mode'.³⁷ Two reasons baulked large. Firstly, Canberra's proposal to celebrate the turn of the century by liberalising primary energy markets within the APEC area was enjoying almost no support. The plan was politely retired 'for further refinement'.³⁸ Secondly, previously vague Japanese intimations of a change in their

³⁴ Michael Stutchbury, 'Downer fears wool damage in trade war', *Australian Financial Review*, 12 June 1996.

³⁵ Peter Hartcher, 'We're making progress: Wolf', *Australian Financial Review*, 28 August 1996.

³⁶ Tony Boyd, 'Japan falls short for Howard on APEC nitty-gritty', *Australian Financial Review*, 23 September 1996.

³⁷ Michael Dwyer, 'Damage control at APEC forum', *Australian Financial Review*, 22 November 1996.

³⁸ See Michael Dwyer, 'APEC proposals collapse: Red faces as Howard's energy scheme is rejected', *Australian Financial Review*, 21 November 1996.

customs procedures governing the import of agricultural products were fast becoming more transparent and malign. What this seemed to entail was the re-packaging of imported rice and its re-export as foreign aid, along with some grain drawn from Japan's domestic stockpile, to Africa³⁹. So while other players did get accelerated liberalisation in sectors of interest to them - Washington's success with the 'substantial elimination' of tariffs in telecommunications being the most obvious case in point - Howard's pre-summit tilt towards reciprocity increasingly appeared as an attempt to save face by shifting goalposts. A post-summit sense of quiet alienation from APEC processes around Canberra was nonetheless appreciable, if not quite universal. What was most interesting was the strong support that the theme of reciprocity drew from business circles⁴⁰ where (as previously noted) the channels of consultation on policy formation had been broadened after the Cebu meeting, and where interests in Fischer-style trade facilitation and micro-economic reform had been strongly advanced.

Consistent with the drift of Howard's principle of reciprocity, matters that explicitly dealt with APEC strategy quietly fell off the edges of Canberra's radar screen after the Vancouver summit.⁴¹ Despite Clinton's dampener, the meeting had proposed the Early Voluntary Sectoral Liberalisation (EVSL) initiative, where trade worth US\$1.5 trillion would be liberalised across nine sectors in

³⁹ Tony Bond, 'Japan is exporting rice imports', Australian Financial Review, 21 November 1996.

⁴⁰ Note in particular the post-Subic defence of Howard offered by Phillip Holt, Managing Director of the Australian Business Chamber: 'Unilateralism doesn't work', Letter to the Editor, Australian Financial Review, 29 November 1996.

⁴¹ Greater detail on the decline at Kuala Lumpur is provided in Richard Leaver and Maryanne Kelton, 'Issues in Australian Foreign Policy, July to December 1998', Australian Journal of Politics and History, 45(2), 1999. The following paragraph draws heavily from that source.

advance of the 2010 Bogor deadline.⁴² But by the September meeting of APEC senior officials in Kuantan, the EVSL initiative was encountering heavy weather. In particular, the Japanese government was finding it difficult to agree to early liberalisation in fishery and forestry sectors, sectors of considerable interest to Canberra. At Kuala Lumpur, foreign minister Masahiko Komura issued a tart reminder: 'Although I am not very familiar with the English language, I understand that the V in EVSL stands for voluntary, which means this is not a process for negotiation'.⁴³ The EVSL priority sectors were duly passed on to the World Trade Organisation for consideration in the context of its own forthcoming review of world agricultural trade tariffs. Howard commented bravely that it was 'inevitable that the APEC car would drop back to third gear ... (although) I think it can be in top gear fairly soon',⁴⁴ but there was notably less agreement from rural and industry constituencies.

The KL outcome, Peter Hartcher argued, had been neither Asia-Pacific nor cooperative, since the WTO environment was much more combative, and any deal over these sectors would have to be couched within a broader package.⁴⁵ He was, in due course, proved quite right. Around the edges of the Timor issue that dominated at Auckland, discussion on the six priority sectors which remained on the APEC agenda ground on, eventually ending up with their graduation to the WTO. This was said by the new trade minister,

⁴² The nine priority areas designated in the EVSL were environmental goods and services, fish and fish products, forest products, medical equipment and instruments, telecommunications, energy, toys, gems and jewellery, and chemicals. The six non-priority sectors were also mentioned: aircraft, automotive standards, fertilizer, food, oilseeds and rubber.

⁴³ Tony Boyd, 'Japan won't budge on fish and forests', Australian Financial Review, 2 November 1998.

⁴⁴ Paul Kelly, 'Third gear too slow to fast track tariff reform', The Australian, 17 November 1998; Louise Dodson, 'Howard joins in the push to salvage APEC', Australian Financial Review, 17 November 1998.

⁴⁵ Peter Hartcher, 'A solution not Asia-Pacific, nor co-operative', Australian Financial Review, 17 November 1998.

Mark Vaile, to be 'great news for Australian exporters', 'a powerful message from APEC'.⁴⁶ Howard agreed; APEC was 'back on track'.⁴⁷ But the chairman of PECC, Roberto Romulo, summed up the whole experience more accurately: the EVSL idea had been 'a system of futility' that had strained unity amongst Asia-Pacific economies.⁴⁸ Hartcher's fears about how APEC's EVSL sectoral proposals, by then re-badged as the ATL (Accelerated Tariff Liberalisation), would progress at the multilateral level would also prove accurate. APEC members wanted a provisional WTO agreement to ATL, under which the plan might be implemented as an 'early harvest' in a non-binding way. The WTO round, of course, failed to start, in part because the ATL in forestry attracted strong opposition from environmentalists. And it was by no means clear that the early harvest in other sectors could have been returned in more favourable circumstances, since there was evidence of foot-dragging by the Japanese as well as the Europeans. The decline was complete.

In large part, however, the general decline of APEC policy in Canberra was from the beginning mandated by developments along the home front, where the issue of tariff liberalisation became a progressively hotter potato. Throughout the first half of 1997, two of the most weighty issues before the government concerned the fate of tariffs in the passenger motor vehicles (PMV) and textile clothing and footwear (TCF) sectors. These were the sectors where, under the practice of 'all-round protection', earlier Australian tariffs had reached dizzy heights, and where more recent movement away from those heights had been handled separately from policy on the general tariff. In the early days of the Hawke government, that movement

⁴⁶ Press Release, Minister for Trade, 'APEC Ministers push for more open markets', 10 September 1999, MVT23/99.

⁴⁷ Tim Colebatch, 'APEC back on track: Howard', *The Age*, 14 September 1999.

⁴⁸ Romulo T. Luib, 'APEC wants accelerated liberalization under WTO', *Business World*, 14 September 1999.

began with an industry plan, the 'Button Plan' for the PMV sector, which sought to rationalise the highly inefficient local manufacture of autos in addition to reducing tariffs. And in its later days - when both Hawke and his ministry were less enamoured with industry plans - it put in place an annual schedule of 2.5 per cent tariff reductions. Left to its own devices, this 1991 schedule would have reduced Australia's PMV tariff to zero in advance of Australia's Bogor commitment.

Significant changes, both economically and politically, were taking place inside the domestic market. As intended under the Button Plan, the number of domestic auto producers had fallen, and economies of scale for those that remained in production had generally improved. But domestic auto production was increasingly concentrated around that unique Australian genotype, the six cylinder 'family car', a product whose export possibilities had traditionally appeared limited. Although exports of some components for these 'family cars' did increase, with some fully assembled models finding their way into Middle Eastern markets,⁴⁹ domestic sales generally held steady. Furthermore, a greater share of local sales was being absorbed in the first instance by fleet managers who on-leased autos under salary packaging arrangements to an expanding market of middle managers and public servants. In that way, tax concessions were aiding final consumption, and probably maintaining retail prices and profit margins at somewhat higher levels than they would otherwise have been. Meanwhile, the major portion of growth in the Australian domestic auto market was largely accounted for by smaller cars that were overwhelmingly provided through imports, the volume of which exceeded local production for the first time in 1996.

A routine review of tariff policy in both these sectors had been undertaken by the Productivity Commission in 1996, and draft reports issued forth from its offices in early 1997. In both cases, the

⁴⁹ See Peter Brewer, 'GM Boss Plays the percentages in pursuit of Asian Tariff Reform', *The Canberra Times*, 10 September 1999.

Commission recommended the maintenance of the existing schedule of tariff reduction, and in both cases, local producers began to mobilise against those scheduled reductions. Mitsubishi, the third largest domestic auto producer, threatened to quit on-shore production and re-group around an import-only strategy (a market share strategy that Nissan had pioneered some years previously). With some 6,000 jobs directly at risk in its Adelaide-based operations, Mitsubishi had no trouble mobilising the South Australian state government (a Liberal Party government), the (right wing) auto workers union, and the local (Murdoch) press behind its argument - namely, that a tariff below 15 per cent would push it towards an exit strategy. At a time when unemployment was generally on the rise - quite spectacularly so in South Australia - the Howard government came under political intense pressure from all quarters.

First in autos, and subsequently in TCF, the government quickly settled for a policy framework that was consistent with Howard's newly enunciated theory of reciprocity. Tariffs would stick to Hawke's sectoral schedules until 2001, by which time they would have reached 15 per cent. There would then be a four year tariff pause where mandated reductions would not take place, when substantial consideration would be given to the achievements in regard to tariff reductions in other APEC economies. Assuming a positive assessment, then tariffs would fall at an accelerated rate into the Bogor vanishing point.

As a means of eliminating tariffs, this policy of a tariff pause makes a whole host of heroic assumptions. It blithely assumes that the passage of time will clean out the domestic obstacles to further reductions which provoked the policy in the first place. It has to assume that, since the pace of tariff reductions towards the Bogor target after 2005 will have to be considerably quicker than would otherwise have been the case - a reasonably tall building will have to be jumped, almost in a single bound. There is, unfortunately, no reason to believe that this superman-like performance will prove

possible, or that current economic and political trends are making it more possible in the future. Economically, the PMV and TCF sectors are not becoming more healthy; despite a booming auto market, the commercial fate of the Mitsubishi plant rests more than ever on a knife edge, while a high-profile string of textile plant closures have produced a pronounced tilt in government policy towards the objective of welfare maintenance. Politically, the sad fact is that the rise of 'Hansonism' within the Australian polity is no longer dependent on the fate of Pauline Hanson herself; it is, instead, increasingly undergirded by the electoral strategy of the Coalition government. By targeting the marginalised fringe of Australian voters in rural and regional Australia who once supported Hanson (and are likely to support other 'unconventional' political forces in future elections), the Howard government has produced a whole raft of domestic economic policies intended to defend welfare standards outside the cities from erosion by market forces. This, in turn, has allowed the Labor opposition to argue that what is good for the rural goose is also good for the urban gander. Even though the scale of this political enthusiasm for protection pales by comparison with the system of 'all-round protectionism' practiced only thirty years ago, and although that high point is most unlikely to be approximated again, both the government and the opposition now evidence a notable lack of desire to embrace any robust rhetoric about market forces in the trade domain.

So far as APEC in particular is concerned, this policy will necessarily give rise to a succession of low grade IAPs from Canberra during the four years when 'the pause that refreshes' is being indulged. These will hardly encourage other APEC members to up the ante; indeed, by invoking the right to go slow in sensitive sectors, the Howard government will reinforce the regional standing of the very same principle that has already been causing it problems with its APEC proposals for accelerated liberalisation. To that extent, it will seriously diminish whatever bargaining clout an Australian government might have, and undermine the residual coherence of the

government's preferred bilateral approach to matters of foreign and trade policy.

A retrospective on bilateralism

It is therefore appropriate to conclude with a note about the costs created for Australian trade policy by excessive admiration for all things American, especially 'aggressive bilateralism' in trade. For while no recent Australian government, even Labor governments, has been the least bit shy about working closely with Washington in strategic affairs, inhibitions about copy-cutting and policy convergence have generally prevailed in relation to trade.

This was certainly true when APEC was created. When the Hawke Labor government took a leading role in creating and shaping APEC, it acted largely out of fears about degenerative possibilities within the trans-Pacific economy opened up by new facets of American trade policy. In 1988, after four largely unsuccessful years of trying to even out its trade balance with Japan through a strategy of dollar devaluation, the Reagan administration put in place a new series of policy instruments that appeared to portend hard times. In particular, the Super-301 provisions of the 1988 Trade Act required the United States Trade Representative to issue an annual list of 'unfair traders' who, in turn, would negotiate solutions under the shadow of the threat of punitive economic sanctions on their exports to the US market. To the Hawke Labor government, this shift in American policy appeared doubly dangerous. In extremis, it bore the potential to touch off a trade war between the two countries that were, respectively, Australia's foremost strategic ally and its major export market. Less dramatic but perhaps more likely was the potential for third party damage to Australian export interests. Since Canberra did not regard Japanese governments as willing to risk everything in a trade war, there was a more astute Australian appreciation of the prospect that they would bow down before American pressures and

strike a bilateral deal, so sacrificing third party interests in Japan's import market. Given that the neglected cause of third parties had recently informed the Hawke government's enthusiasm for the Cairns Group, it was quick to appreciate this danger.

In both a tactical and a strategic sense, Hawke saw APEC as a confidence-building exercise that could shore up multilateral solutions to regional trade tensions. The tactical dimensions of the Seoul speech where Hawke first floated the APEC idea⁵⁰ were, in this respect, brilliantly played out. His speech was totally ambiguous about whether or not APEC would be exclusive to the western Pacific. Since no Australian government had ever shown any tolerance at all for regionalist proposals that excluded the US, this ambiguity transmitted a clear message about Canberra's growing annoyance with Washington's commercial policies in general. It also conferred political power upon Tokyo which, as Bobrow has observed,⁵¹ uses this kind of message as a counterweight in its own trade dealings with Washington. Since Hawke left it to Tokyo to clear up his ambiguity by affirming that APEC would indeed cover both sides of the Pacific, the Japanese government demonstrated before a Washington audience their continuing good faith in a multilateral framework for their trade - the echo of the original message that Canberra had so desperately wanted to hear. The tactical dimensions of the exercise then fed into complementary longer-term visions about 'the strategy of open regionalism' that had been developed amongst a small group of

⁵⁰ See R. Hawke, 'Challenges for Korea and Australia', Monthly Record, 60(4), 1989.

⁵¹ See Davis Bobrow, 'Where and How Does Japan Fit?', in Richard Leaver and James L. Richardson (eds.), *Charting The Post-Cold War Order*, Westview Press, Boulder, 1993, p. 189.

economists close to both the PECC movement and the prime minister's office.⁵²

Although the Australian economy still retains the full measure of the extraordinarily high degree of trade interdependence with the East Asian economy that it exhibited in 1989, the contrast between the fears, hopes and strategies that moved the Hawke government at that time on APEC and the 'learn from America' postures and policies of the Howard government could hardly be more clear. But it is important not to be too party-political about this. In many ways, the Howard government has walked through a policy door that Keating opened in 1992 and 1993 when he sought to elevate APEC out of the realm of confidence-building.

The changes that Keating fought for were largely a consequence of the unsettling effect of the 1992 American presidential election on the government's view of the drift of American policy. Believing them to be more reliable free traders, Australian governments, even Labor ones, have traditionally favoured Republican candidates in American elections. But in the 1992 campaign, as the administration's Export Enhancement Programme so reviled in Canberra was geared up for rural vote-catching, Bush also showed disturbing signs of placing the preferential NAFTA scheme at the top of the list of American trade priorities. Most disturbing of all was his September campaign speech in Chicago, where there were indications that NAFTA-type arrangements might be extended to the

⁵² The most important work in this respect was Peter Drysdale, *International Economic Pluralism: Economic Policy in East Asia and the Pacific*, Allen and Unwin, Sydney, 1988. Not all interpretations of 'open regionalism' accorded with this; for one discussion of the range of variation, see C. Fred Bergsten, 'Open Regionalism', Working Paper, 97-3, Institute for International Economics, Washington DC, 1997, <<http://www.iie.com/CATALOG/WP/1997/97-3.htm>>.

Southeast Asian region. Open regionalism seemed to be under threat from a preferential arrangement.

The prospect of being caught between Democrat protectionist policies and Republican preferential policies produced a moment of high anxiety in Canberra less than two months out from polling day. It forced Keating to argue that Australia's 'third-best' trade outcome (that is, after the GATT and APEC) would lie in close commercial alignment with Japan rather than North America. As Greg Sheridan observed at the time, this utterance belonged in the same league as John Curtin's famous 1941 'tilt to America',⁵³ except that on this occasion the tilt ran the other way. In the short interval that remained before polling day, a Senate committee of the Australian parliament began a crash investigation into a question whose very asking would once have been regarded as the stuff of heretics - The Implications of United States Policies for Australia.⁵⁴

Although Bush was, of course, defeated, and therefore never got to the position where he might implement his NAFTA extension, the Keating government nonetheless reacted to this moment of high anxiety by vigorously pushing two reformist schemes during the next twelve months. It decided, firstly, to raise the political profile of APEC by elevating it from the ministerial to the Heads of Government level - an objective achieved when Clinton hosted the first APEC summit at Blake Island in late 1993. Keating followed up by pushing for an APEC orientation towards 'results', the kind of orientation that was thought necessary to keep Washington permanently engaged in APEC affairs. This led directly towards the phased commitments on trade liberalisation at APEC's 1994 Bogor summit. Hence the original

⁵³ Greg Sheridan, 'Brace yourselves for a second end-of-empire experience', *The Australian*, 30 September 1992.

⁵⁴ Senate Standing Committee on Foreign Affairs, Defence and Trade, *Implications of United States Policies for Australia*, Australian Government Publishing Service, Canberra, 1992.

primary objective of regional confidence-building for open trade arrangements was pushed into the background as timetables for trade liberalisation moved to the fore.

The trouble this subsequently created was the disconnect between visions and processes, between ends and means. Given the widely divergent sectoral patterns of tariff protection within APEC, any common APEC-wide programme of freeing up trade would necessarily expose the domestic economies of member states to competitive international forces at different rates. Left unattended, this dilemma should have been attended by the development of some disciplinary measure to detect and penalise defectors.⁵⁵ In fact, the means-ends link conceived at Osaka - the strategy of concerted unilateralism, effected through transparent iterations of IAPs - amounted to a somewhat oxymoronic commitment to work together by acting separately. In effect, APEC dynamics began to converge on the lowest common denominator of those two ASEAN staples, 'sensitivity' and 'flexibility'.

Today's conventional wisdom within Australia on all these matters - that Keating tilted too far towards 'the Asianisation' of Australian foreign and trade policy, and that the Howard government has restored a better sense of proportion - is therefore largely wrong. The intention of the Keating government was always to create modalities for binding the North American economy to East Asia, but the consequence of the way this was enacted was to open the door to bilateralism through which the Howard government has marched. The end result for Australians has been a rediscovery of some things that should already have been known: the distinctiveness and vulnerability

of the economic and trade profiles of the Australian economy, and the difficulty of creating any sense of community across a region where the political architecture has for half a century been based on serial bilateralism.

⁵⁵ *Oddly enough, some idea of what such a disciplinary measure might look like emerged in the recent Chiang Mai discussions of AFTA ministers, where the resort to 'flexibility' in implementing tariff reductions creates rights to compensation; see 'ASEAN protocol worries outsiders', The Australian, 9 October 2000.*